

**TOWN OF ERATH, LOUISIANA**

Financial Statements

Year Ended June 30, 2014



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## INDEPENDENT AUDITORS' REPORT

The Honorable John Earl Leblanc, Mayor,  
and Members of the Board of Aldermen  
Town of Erath, Louisiana

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Erath, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Erath, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 37 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Town of Erath has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### ***Other Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Erath's basic financial statements. The other supplementary information on pages 43 through 53 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2014 on our consideration of the Town of Erath's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Erath's internal control over financial reporting and compliance.

***Kolder, Champagne, Slaven & Company, LLC***  
Certified Public Accountants

Abbeville, Louisiana  
December 1, 2014

## **BASIC FINANCIAL STATEMENTS**



**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS (GWFS)**

TOWN OF ERATH, LOUISIANA

Statement of Net Position  
June 30, 2014

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and interest-bearing deposits	\$ 172,134	\$ 1,887,336	\$ 2,059,470
Accrued interest receivable	33	1,633	1,666
Accounts receivable, net	-	326,731	326,731
Unbilled service receivable, net	-	84,840	84,840
Other receivables	5,829	180	6,009
Due from other governmental agencies	60,811	-	60,811
Internal balances	49,395	(49,395)	-
Restricted assets:			
Cash and interest-bearing deposits	-	184,384	184,384
Accrued interest receivable	-	155	155
Capital assets:			
Non-depreciable	342,831	92,066	434,897
Depreciable	<u>3,045,895</u>	<u>5,482,719</u>	<u>8,528,614</u>
Total assets	<u>3,676,928</u>	<u>8,010,649</u>	<u>11,687,577</u>
<b>LIABILITIES</b>			
Accounts and accrued expenses	59,032	145,732	204,764
Due to other governmental agencies	27,434	5,609	33,043
Other payables	302	42	344
Due to external parties	292	-	292
Customers' deposits	-	82,945	82,945
Accrued interest payable	378	2,292	2,670
Long-term liabilities:			
Portion due or payable within one year -			
Revenue bonds payable	-	35,286	35,286
Certificates of indebtedness	20,000	-	20,000
Portion due or payable after one year -			
Revenue bonds payable	-	390,929	390,929
Certificates of indebtedness	<u>180,000</u>	<u>-</u>	<u>180,000</u>
Total liabilities	<u>287,438</u>	<u>662,835</u>	<u>950,273</u>
<b>NET POSITION</b>			
Net investment in capital assets	3,188,726	5,183,856	8,372,582
Restricted for:			
Tax dedications	107,843	-	107,843
Debt service	12,127	64,016	76,143
Other	4,439	-	4,439
Unrestricted	<u>76,355</u>	<u>2,099,942</u>	<u>2,176,297</u>
Total net position	<u>\$ 3,389,490</u>	<u>\$ 7,347,814</u>	<u>\$ 10,737,304</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF ERATH, LOUISIANA

Statement of Activities  
For the Year Ended June 30, 2014

Activities	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 279,430	\$ 59,956	\$ -	\$ -	\$ (219,474)	\$ -	\$ (219,474)
Public safety	792,414	87,241	88,136	25,714	(591,323)	-	(591,323)
Public works	403,968	19,285	-	11,370	(373,313)	-	(373,313)
Health and welfare	1,892	-	-	-	(1,892)	-	(1,892)
Culture and recreation	70,331	10	1,216	-	(69,105)	-	(69,105)
Total governmental activities	<u>1,548,035</u>	<u>166,492</u>	<u>89,352</u>	<u>37,084</u>	<u>(1,255,107)</u>	<u>-</u>	<u>(1,255,107)</u>
Business-type activities:							
Electric	1,490,353	2,232,349	-	-	-	741,996	741,996
Water	317,084	323,022	-	-	-	5,938	5,938
Sewer	268,674	283,640	-	-	-	14,966	14,966
Total business-type activities	<u>2,076,111</u>	<u>2,839,011</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>762,900</u>	<u>762,900</u>
Total	<u>\$ 3,624,146</u>	<u>\$ 3,005,503</u>	<u>\$ 89,352</u>	<u>\$ 37,084</u>	<u>(1,255,107)</u>	<u>762,900</u>	<u>(492,207)</u>
General revenues:							
Taxes -							
Property taxes, levied for general purposes					20,516	-	20,516
Sales and use taxes, levied for general purposes					268,672	-	268,672
Franchise taxes					34,231	-	34,231
Other					7,706	-	7,706
Licenses and permits					94,411	-	94,411
Grants and contributions not restricted to specific programs					5,552	-	5,552
Interest and investment earnings					193	13,733	13,926
Miscellaneous					12,284	-	12,284
Gain (loss) on sale of capital assets					-	195	195
Transfers					708,600	(708,600)	-
Total general revenues and transfers					<u>1,152,165</u>	<u>(694,672)</u>	<u>457,493</u>
Change in net position					(102,942)	68,228	(34,714)
Net position, beginning					<u>3,492,432</u>	<u>7,279,586</u>	<u>10,772,018</u>
Net position, ending					<u>\$ 3,389,490</u>	<u>\$ 7,347,814</u>	<u>\$ 10,737,304</u>

The accompanying notes are an integral part of the basic financial statements.

## **FUND FINANCIAL STATEMENTS**

TOWN OF ERATH, LOUISIANA

Balance Sheet  
Governmental Funds  
June 30, 2014

	<u>General</u>	<u>Sales Tax</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>				
Cash	\$ 86,314	\$ 60,522	\$ 12,060	\$ 158,896
Interest-bearing deposits	-	13,238	-	13,238
Receivables:				
Ad valorem tax	122	-	-	122
Accrued interest	-	33	-	33
Due from other governmental agencies	1,474	31,057	-	32,531
Other	5,707	-	-	5,707
Due from other funds	<u>54,756</u>	<u>115</u>	<u>-</u>	<u>54,871</u>
Total assets	<u>\$ 148,373</u>	<u>\$ 104,965</u>	<u>\$ 12,060</u>	<u>\$ 265,398</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 10,260	\$ 16,090	\$ 2,613	\$ 28,963
Due to other governmental agencies	27,434	-	-	27,434
Due to other funds	397	1,494	3,877	5,768
Accrued expenses	21,120	7,818	1,131	30,069
Other liabilities	<u>302</u>	<u>-</u>	<u>-</u>	<u>302</u>
Total liabilities	<u>59,513</u>	<u>25,402</u>	<u>7,621</u>	<u>92,536</u>
Fund balances:				
Restricted	12,127	79,563	4,439	96,129
Unassigned	<u>76,733</u>	<u>-</u>	<u>-</u>	<u>76,733</u>
Total fund balances	<u>88,860</u>	<u>79,563</u>	<u>4,439</u>	<u>172,862</u>
Total liabilities and fund balances	<u>\$ 148,373</u>	<u>\$ 104,965</u>	<u>\$ 12,060</u>	<u>\$ 265,398</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF ERATH, LOUISIANA

Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position  
June 30, 2014

Total fund balances - governmental funds	\$	172,862
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets, net		3,388,726
Long-term liabilities, including bonds payable, are not due and payable in the current period and are therefore not reported in the governmental funds.		
Accrued interest payable	\$	(378)
Bonds payable	<u>(200,000)</u>	<u>(200,378)</u>
Sales taxes which are not "measurable" at year-end and therefore are not available soon enough to pay for current period expenditures.		<u>28,280</u>
Total net position of governmental activities	\$	<u>3,389,490</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF ERATH, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds  
For the Year Ended June 30, 2014

	General	Sales Tax	Other Governmental Funds	Total
Revenues:				
Taxes	\$ 62,453	\$ 267,702	\$ -	\$ 330,155
Licenses and permits	94,411	-	-	94,411
Intergovernmental	52,933	11,370	49,670	113,973
Charges for services	30,763	-	-	30,763
Fines and forfeitures	65,355	-	-	65,355
Interest	-	189	-	189
Miscellaneous	68,181	19,335	13,157	100,673
Total revenues	<u>374,096</u>	<u>298,596</u>	<u>62,827</u>	<u>735,519</u>
Expenditures:				
Current -				
General government	256,215	-	-	256,215
Public safety	602,961	-	103,466	706,427
Health and welfare	1,892	-	-	1,892
Culture and recreation	48,083	-	-	48,083
Public works	-	332,300	-	332,300
Debt service -				
Principal	20,000	-	-	20,000
Interest	4,720	-	-	4,720
Capital outlay	215,200	15,616	33,887	264,703
Total expenditures	<u>1,149,071</u>	<u>347,916</u>	<u>137,353</u>	<u>1,634,340</u>
Deficiency of revenues over expenditures	<u>(774,975)</u>	<u>(49,320)</u>	<u>(74,526)</u>	<u>(898,821)</u>
Other financing sources (uses):				
Transfers in	708,600	-	74,526	783,126
Transfers out	<u>(74,526)</u>	<u>-</u>	<u>-</u>	<u>(74,526)</u>
Total other financing sources (uses)	<u>634,074</u>	<u>-</u>	<u>74,526</u>	<u>708,600</u>
Net change in fund balances	(140,901)	(49,320)	-	(190,221)
Fund balances, beginning	<u>229,761</u>	<u>128,883</u>	<u>4,439</u>	<u>363,083</u>
Fund balances, ending	<u>\$ 88,860</u>	<u>\$ 79,563</u>	<u>\$ 4,439</u>	<u>\$ 172,862</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF ERATH, LOUISIANA

Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2014

Net change in fund balances - total governmental funds \$ (190,221)

The change in net position reported for governmental activities in the  
statement of activities is different because:

Governmental funds report capital outlays as expenditures. However,  
in the statement of activities, the cost of those assets is allocated over  
their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 245,617	
Depreciation expense	<u>(179,250)</u>	66,367

Because some revenues are not measurable at year end, they are not  
considered available in the governmental funds:

Sales taxes	881
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Bond proceeds are reported as financing sources in governmental funds  
and thus contribute to the change in fund balance. In the statement  
of net position, however, issuing debt increases long-term liabilities  
and does not affect the statement of activities. Similarly, repayment of  
principal is an expenditure in the governmental funds but reduces the  
liability in the statement of activities.

Principal payments	20,000
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Some expenses reported in the statement of activities do not require the  
use of current financial resources and therefore, are not reported as  
expenditures in governmental funds.

Decrease in accrued interest payable	<u>31</u>
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Change in net position of governmental activities \$ (102,942)

The accompanying notes are an integral part of the basic financial statements.



TOWN OF ERATH, LOUISIANA

Statement of Net Position  
Proprietary Funds  
June 30, 2014

	Utility	Sewerage Utility	Total
<b>ASSETS</b>			
Current assets:			
Cash	\$ 577,131	\$ 299,418	\$ 876,549
Interest-bearing deposits	907,263	103,524	1,010,787
Accrued interest receivable	1,362	271	1,633
Accounts receivable, net	316,698	10,033	326,731
Unbilled service receivable, net	77,451	7,389	84,840
Other receivables	180	-	180
Interfund receivables	1,015	105	1,120
Total current assets	<u>1,881,100</u>	<u>420,740</u>	<u>2,301,840</u>
Restricted assets -			
Cash	70,907	54,302	125,209
Interest-bearing deposits	59,175	-	59,175
Accrued interest receivable	155	-	155
Total restricted assets	<u>130,237</u>	<u>54,302</u>	<u>184,539</u>
Capital assets, net of accumulated depreciation	<u>2,767,126</u>	<u>2,807,659</u>	<u>5,574,785</u>
Total assets	<u>4,778,463</u>	<u>3,282,701</u>	<u>8,061,164</u>
<b>LIABILITIES</b>			
Current liabilities (payable from current assets):			
Accounts payable and accrued expenses	138,462	7,270	145,732
Due to other governmental agencies	5,609	-	5,609
Interfund payables	50,515	-	50,515
Other liabilities	-	42	42
Total	<u>194,586</u>	<u>7,312</u>	<u>201,898</u>
Current liabilities (payable from restricted assets):			
Customers' deposits	82,945	-	82,945
Current portion of long term debt	27,000	8,286	35,286
Accrued interest on bonds	2,292	-	2,292
Total	<u>112,237</u>	<u>8,286</u>	<u>120,523</u>
Total current liabilities	<u>306,823</u>	<u>15,598</u>	<u>322,421</u>
Noncurrent liabilities:			
Long term debt	<u>59,000</u>	<u>331,929</u>	<u>390,929</u>
Total liabilities	<u>365,823</u>	<u>347,527</u>	<u>713,350</u>
<b>NET POSITION</b>			
Net investment in capital assets	2,708,126	2,475,730	5,183,856
Restricted for debt service	18,000	46,016	64,016
Unrestricted	1,686,514	413,428	2,099,942
Total net position	<u>\$4,412,640</u>	<u>\$ 2,935,174</u>	<u>\$ 7,347,814</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF ERATH, LOUISIANA

Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Funds

Year Ended June 30, 2014

	<u>Utility</u>	<u>Sewerage Utility</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 2,515,784	\$ 283,640	\$ 2,799,424
Miscellaneous	<u>39,587</u>	<u>-</u>	<u>39,587</u>
Total operating revenues	<u>2,555,371</u>	<u>283,640</u>	<u>2,839,011</u>
Operating expenses:			
Salaries	143,251	39,581	182,832
Payroll taxes	10,893	3,008	13,901
Retirement	3,783	1,186	4,969
Group insurance	25,579	6,395	31,974
Worker's compensation insurance	4,008	1,815	5,823
Purchase of electric power	1,205,778	-	1,205,778
Materials and supplies	62,359	7,479	69,838
Maintenance and repairs	56,739	12,227	68,966
Fuel, gas and oil	8,446	1,458	9,904
Telephone and utilities	65,701	54,014	119,715
Insurance	30,364	3,281	33,645
Depreciation	107,402	109,810	217,212
Contractual services	15,600	-	15,600
Professional fees	6,725	5,049	11,774
Bad debts	40,917	4,563	45,480
Other	<u>15,308</u>	<u>3,304</u>	<u>18,612</u>
Total operating expenses	<u>1,802,853</u>	<u>253,170</u>	<u>2,056,023</u>
Operating income	<u>752,518</u>	<u>30,470</u>	<u>782,988</u>
Nonoperating revenues/(expenses):			
Interest income	11,965	1,768	13,733
Interest expense	(4,584)	(15,504)	(20,088)
Gain on disposal of assets	<u>195</u>	<u>-</u>	<u>195</u>
Total nonoperating revenues/(expenses)	<u>7,576</u>	<u>(13,736)</u>	<u>(6,160)</u>
Income before transfers	760,094	16,734	776,828
Transfers out	<u>(708,600)</u>	<u>-</u>	<u>(708,600)</u>
Change in net position	51,494	16,734	68,228
Net position, beginning	<u>4,361,146</u>	<u>2,918,440</u>	<u>7,279,586</u>
Net position, ending	<u>\$ 4,412,640</u>	<u>\$ 2,935,174</u>	<u>\$ 7,347,814</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF ERATH, LOUISIANA

Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2014

	Utility	Sewerage Utility	Total
Cash flows from operating activities:			
Receipts from customers	\$2,550,698	\$ 282,823	\$2,833,521
Payments to suppliers	(1,467,495)	(87,587)	(1,555,082)
Payments to employees and for employee-related costs	(186,675)	(51,919)	(238,594)
Other receipts	39,587	-	39,587
Net cash provided by operating activities	<u>936,115</u>	<u>143,317</u>	<u>1,079,432</u>
Cash flows from noncapital financing activities:			
Transfers to other funds	(708,600)	-	(708,600)
Increase in customer deposits, net	5,998	-	5,998
Net cash used by noncapital financing activities	<u>(702,602)</u>	<u>-</u>	<u>(702,602)</u>
Cash flows from capital and related financing activities:			
Principal paid on long-term debt	(25,000)	(7,922)	(32,922)
Interest paid on long-term debt	(5,250)	(15,504)	(20,754)
Purchase and construction of capital assets	(21,996)	(26,997)	(48,993)
Proceeds from sale of capital assets	195	-	195
Grants and other contributions received	16,700	-	16,700
Net cash used by capital and related financing activities	<u>(35,351)</u>	<u>(50,423)</u>	<u>(85,774)</u>
Cash flows from investing activities:			
Proceeds of interest-bearing deposits with maturity in excess of ninety days	955,803	102,393	1,058,196
Purchase of interest-bearing deposits with maturity in excess of ninety days	(966,438)	(103,524)	(1,069,962)
Interest on investments	12,086	1,765	13,851
Net cash provided by investing activities	<u>1,451</u>	<u>634</u>	<u>2,085</u>
Net increase in cash and cash equivalents	199,613	93,528	293,141
Cash and cash equivalents, beginning of year	<u>448,425</u>	<u>260,192</u>	<u>708,617</u>
Cash and cash equivalents, end of year	<u>\$ 648,038</u>	<u>\$ 353,720</u>	<u>\$ 1,001,758</u>

(continued)

TOWN OF ERATH, LOUISIANA

Statement of Cash Flows  
Proprietary Funds (continued)  
Year Ended June 30, 2014

	<u>Utility</u>	<u>Sewerage Utility</u>	<u>Total</u>
Cash flows from operating activities:			
Operating income	\$ 752,518	\$ 30,470	\$ 782,988
Adjustments to reconcile operating income to net cash provided by operating activities -			
Depreciation	107,402	109,810	217,212
Provision for bad debts	41,579	4,056	45,635
(Increase) decrease in assets:			
Receivables	34,072	(817)	33,255
Interfund receivables	(82)	(105)	(187)
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	188	123	311
Interfund payables	<u>438</u>	<u>(220)</u>	<u>218</u>
Net cash provided by operating activities	<u>\$ 936,115</u>	<u>\$ 143,317</u>	<u>\$ 1,079,432</u>
Cash and cash equivalents reported on statement of net position as:			
Current - cash	\$ 577,131	\$ 299,418	\$ 876,549
Restricted - cash	<u>70,907</u>	<u>54,302</u>	<u>125,209</u>
Total cash and cash equivalents	<u>\$ 648,038</u>	<u>\$ 353,720</u>	<u>\$ 1,001,758</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF ERATH, LOUISIANA

Fiduciary Funds  
Statement of Fiduciary Net Position  
June 30, 2014

	<u>Agency Fund</u>
ASSETS	
Assets:	
Cash	\$ 26,407
Due from other funds	<u>292</u>
Total assets	<u>\$ 26,699</u>
LIABILITIES	
Liabilities:	
Due to external parties	<u>\$ 26,699</u>

The accompanying notes are an integral part of the basic financial statements.

## TOWN OF ERATH, LOUISIANA

### Notes to Basic Financial Statements

#### (1) Summary of Significant Accounting Policies

The accompanying financial statements of the Town of Erath, Louisiana (Town) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsection of this note.

##### A. Financial Reporting Entity

The Town is incorporated under the provisions of the Lawrason Act. The Town operates under a Mayor-Board of Aldermen form of government. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Town has no such component units.

##### B. Basis of Presentation

###### Government-Wide Financial Statements (GWFS)

The statement of net position and statement of activities display information about the Town, the primary government, as a whole. They include all funds of the reporting entity, except fiduciary funds and component units that are fiduciary in nature. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

## TOWN OF ERATH, LOUISIANA

### Notes to Basic Financial Statements (Continued)

#### Fund Financial Statements

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Fund financial statements report detailed information about the Town.

The various funds of the Town are classified into two categories: governmental and proprietary. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The Town reports the following major governmental funds -

General Fund - This is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Sales Tax Fund – This fund accounts for the proceeds of a one percent sales and use tax that is legally restricted to expenditures for specific purposes. These taxes are dedicated as described in Note 4.

The Town reports the following major enterprise funds:

Utility Fund – This fund accounts for the provision of electric and water services to the residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, billing and collection.

Sewerage Utility Fund – This fund accounts for all activities associated with the provision of sewerage services including, but not limited to, administration, operations, maintenance, billing and collection.

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements (Continued)

In addition, the Town reports the following:

Agency Fund – This fund accounts for assets held by the Town for bonds related to the Mayor’s Court.

The Town has three nonmajor funds which are reported in a column labeled “Other Governmental Funds” in the fund financial statements.

The Town has one fiduciary fund, an Agency Fund, which is presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of third parties and cannot be used to address activities or obligations of the Town, these funds are not incorporated into the government-wide statements.

C. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide statement of net position and the statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.



## TOWN OF ERATH, LOUISIANA

### Notes to Basic Financial Statements (Continued)

#### Basis of Accounting

In the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Sales taxes are considered measurable when in the hands of the Sales Tax Collector and are recognized as revenue at that time. Ad valorem taxes are recognized as revenue in the year for which budgeted, that is, in the year in which such taxes are billed and collected. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. All other receivables collected within 60 days after year end are considered available and recognized as revenue of the current year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. Purchases of various operating supplies are regarded as expenditures at the time purchased.

Proprietary fund financial statements utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

#### Program revenues

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the Town's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Town's general revenues.

#### Allocation of indirect expenses

The Town reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions, but are reported separately in the Statement of Activities. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered a direct expense and is

## TOWN OF ERATH, LOUISIANA

### Notes to Basic Financial Statements (Continued)

reported as a direct expense in the public safety, water and sewer functions in the amount of \$4,720, \$4,584 and \$15,504, respectively.

#### D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Equity

##### Cash and interest-bearing deposits

For purposes of the statement of net position, cash and interest-bearing deposits include all demand accounts, savings accounts, and certificates of deposits of the Town. For purposes of the statements of cash flows, all highly liquid investments (including restricted assets) with an original maturity of three months or less are considered to be cash equivalents.

##### Investments

Under state law the Town may deposit funds with a fiscal agent organized under the laws of the State of Louisiana, the laws of any other state in the union, or the laws of the United States. The Town may invest in United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool (LAMP), a nonprofit corporation formed by the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool.

##### Interfund receivables and payables

Short-term cash borrowings between funds are considered temporary in nature. These amounts are reported as “interfund receivables and payables” in the fund financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

##### Receivables

Accounts receivable and unbilled service receivable for the Utility Fund and Sewerage Utility Fund are reported net of an allowance for doubtful accounts. The allowance amount at June 30, 2014 for the Utility Fund and the Sewerage Utility Fund accounts receivable was \$86,810 and \$9,645, respectively. The allowance amount at June 30, 2014 for unbilled services in the Utility Fund and Sewerage Utility Fund was \$509 and \$-0-, respectively.

##### Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide or financial statements. Capital assets are capitalized at historical cost or estimated cost if historical is not available. Donated

## TOWN OF ERATH, LOUISIANA

### Notes to Basic Financial Statements (Continued)

assets are recorded as capital assets at their estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Prior to January 1, 2003, governmental funds' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. Land and construction in progress are not depreciated. The range of estimated useful lives by type of asset is as follows:

Buildings	20-40 years
Equipment	4-20 years
Utility system and improvements	20-50 years
Infrastructure	25-50 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

#### Compensated Absences

Town employees are entitled to certain compensated absences based upon their length of service. Any amount not used in the year it is earned is lost; however, it may be converted to sick leave up to a 36 day maximum.

Sick and vacation leave is awarded on a calendar year basis and cannot be carried over to the next year. However, any accumulated current year annual leave is paid to the employee. Any liability for this accumulated leave is determined immaterial to the financial statements at June 30, 2014 and, therefore, not recorded in the financial statements.

#### Restricted Assets

Restricted assets include cash and interest-bearing deposits of the proprietary funds that are legally restricted as to their use. The restricted assets are related to utility meter deposits and revenue bonds.

#### Long-term debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

## TOWN OF ERATH, LOUISIANA

### Notes to Basic Financial Statements (Continued)

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists of revenue bonds payable and certificates of indebtedness.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.

#### Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has no deferred outflows of resources at June 30, 2014.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has no deferred inflows of resources at June 30, 2014.

#### Equity Classifications

Net position represents the difference between assets and deferred outflows of resources, less liabilities and deferred inflows of resources. The Town reports three categories of net position, as follows:

- a. Net investment in capital assets – Consists of net capital assets reduced by the outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.
- b. Restricted net position – Net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the Town's bonds. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets. Constraints may be placed on the use, either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The Town typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.

# TOWN OF ERATH, LOUISIANA

## Notes to Basic Financial Statements (Continued)

- c. Unrestricted net position – Net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in either of the other two categories of net position.

Fund balances are classified as follows in the governmental fund financial statements:

- a. Nonspendable – amounts that cannot be spent because they are either not in spendable form (such as inventories and prepaid amounts) or legally or contractually required to be maintained intact.
- b. Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- c. Committed – amounts that can be spent only for specific purposes determined by a formal action of the government's highest level of decision-making authority (Board of Aldermen). Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Aldermen.
- d. Assigned – amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.
- e. Unassigned – all other spendable amounts not included in other spendable classifications.

As of June 30, 2014, fund balances are composed of the following:

	General Fund	Sales Tax	Nonmajor Funds	Total Governmental Funds
Restricted:				
Public works	\$ -	\$ 79,563	-	79,563
Debt service	12,127	-	-	12,127
Youth recreation	-	-	4,439	4,439
Unassigned	<u>76,733</u>	<u>-</u>	<u>-</u>	<u>76,733</u>
Total fund balances	<u>\$ 88,860</u>	<u>\$ 79,563</u>	<u>\$4,439</u>	<u>\$172,862</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed unless the Board of Aldermen has provided otherwise in its commitment or assignment actions.

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements (Continued)

E. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures/expenses are classified as follows:

Governmental Funds - By Character

Proprietary Fund - By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds and individual proprietary funds have been eliminated.

F. Revenue Restrictions

The Town has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue source is sales taxes as described in Note 4.

The Town uses unrestricted resources only when restricted resources are fully depleted.

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities and deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements (Continued)

(2) Cash and Interest-Bearing Deposits

Under state law, the Town may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Town may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At June 30, 2014, the Town has cash and interest-bearing deposits (book balances) totaling \$2,270,261 as follows:

Demand deposits	\$ 1,187,061
Savings and certificates of deposit	<u>1,083,200</u>
Total	<u>\$ 2,270,261</u>

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Town's deposits may not be recovered or the Town will not be able to recover the collateral securities that are in the possession of an outside party. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. Deposit balances (bank balances) at June 30, 2014, are as follows:

Bank balances	<u>\$ 2,237,945</u>
At June 30, 2014 the deposits are secured as follows:	
Federal deposit insurance	861,550
Uninsured and collateral held by the pledging bank not in the Town's name	<u>1,376,395</u>
Total	<u>\$ 2,237,945</u>

(3) Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Town on December 1 and are due by February 28. The Town bills and collects its own property taxes. Property tax revenues are recognized when levied to the extent that they result in current receivables.

For the year ended June 30, 2014, taxes of 3.52 mills were levied on property with assessed valuations totaling \$5,824,070 and were dedicated for general purposes.

Total taxes levied were \$20,501. Taxes receivable at June 30, 2014 totaled \$122, all of which is considered collectible.

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements (Continued)

(4) Dedication of Proceeds and Flow of Funds - 1 Percent Sales and Use Tax

A one percent sales and use tax levied by the Town is dedicated to the following purposes:

The net proceeds can be used for constructing, acquiring, extending, improving and/or maintaining the Town's drainage facilities, streets, street lighting facilities, sidewalks, sewers and sewerage disposal works, public buildings and/or fire department stations and equipment; purchasing and acquiring equipment and furnishings for the aforesaid public works, buildings, improvements and facilities; and for paying principal and interest on any bonded or funded indebtedness of the Town.

Sales taxes recognized in the governmental fund financial statements under the modified accrual basis of accounting were \$267,702 while the amount recognized in the government-wide financial statements under the accrual basis of accounting was \$268,672.

(5) Aged Accounts Receivable

The Town is owed \$423,186 by its customers at June 30, 2014. The aging of these accounts receivable is as follows:

Current	\$ 293,005
Over 30 days	33,725
Over 60 days	11,246
Over 90 days	<u>85,210</u>
Total	<u>\$423,186</u>

(6) Due from Other Governmental Agencies

Amounts due from other governmental agencies consisted of the following at June 30, 2014:

Fund financial statements:

Governmental Funds -

Vermilion Parish School Board:

Sales and use taxes collected but not remitted \$ 28,957

State of Louisiana:

State grant funds 2,100

Other 1,474

\$ 32,531

Government-wide financial statements:

Total amount reported in -

Governmental Funds, from above \$ 32,531

Additional sales and use taxes due from Vermilion Parish School Board 28,280

\$ 60,811



TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements (Continued)

(7) Restricted Assets - Proprietary Fund Type

At June 30, 2014, restricted assets were applicable to the following:

	Utility Fund	Sewerage Utility Fund	Total
Cash with paying agent	\$ 29,292	\$ -	\$ 29,292
Bond sinking fund	-	1,952	1,952
Bond reserve fund	-	18,750	18,750
Depreciation and contingency fund	18,000	33,600	51,600
Customer deposits	82,945	-	82,945
Total	<u>\$ 130,237</u>	<u>\$ 54,302</u>	<u>\$ 184,539</u>

(8) Long-Term Debt

Revenue Bonds. The Town has issued bonds which are payable from a specific revenue source, income derived from the proprietary funds and a 1% sales and use tax. Proceeds were used to construct the sewerage system, to make extensions to the system, and to construct a new water treatment plant. These bonds, expected to be paid from the Utility and Sewerage Utility proprietary funds, are reported in those funds.

Certificates of Indebtedness. The Town issued certificates of indebtedness to provide additional funding needed for renovations made to the police station. These certificates are direct obligations and pledge the full faith and credit of the Town.

The following changes occurred in long-term debt for the year ended June 30, 2014:

	Balance 07/01/13	Additions	Reductions	Balance 06/30/14
Governmental activities:				
Certificates of Indebtedness	<u>\$ 220,000</u>	<u>\$ -</u>	<u>\$ (20,000)</u>	<u>\$ 200,000</u>
Business-type activities:				
Revenue bonds	<u>\$ 459,137</u>	<u>\$ -</u>	<u>\$ (32,922)</u>	<u>\$ 426,215</u>

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements (Continued)

Long-term debt outstanding at June 30, 2014 is as follows:

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance Outstanding</u>	<u>Due Within One Year</u>
Governmental activities:					
Certificates of Indebtedness	01/18/13	12/01/22	2.625%	<u>\$ 200,000</u>	<u>\$ 20,000</u>
Business-type activities:					
Sewer Revenue Bonds	02/09/98	02/09/38	4.50%	\$ 340,215	\$ 8,286
Water Revenue Bonds	08/06/01	07/01/16	5.33%	<u>86,000</u>	<u>27,000</u>
Business-type activities long-term debt				<u>\$ 426,215</u>	<u>\$ 35,286</u>

The annual debt service requirements to maturity of all debt outstanding at June 30, 2014 follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal payments</u>	<u>Interest payments</u>	<u>Principal payments</u>	<u>Interest payments</u>	
2015	\$ 20,000	\$ 4,358	\$ 35,286	\$ 19,004	\$ 78,648
2016	21,000	3,990	37,667	17,131	79,788
2017	21,000	3,622	39,065	15,161	78,848
2018	22,000	3,242	9,481	13,945	48,668
2019	22,000	2,756	9,917	13,509	48,182
2020 - 2024	94,000	4,988	56,852	60,280	216,120
2025 - 2029	-	-	71,168	45,964	117,132
2030 - 2034	-	-	89,087	28,045	117,132
2035 - 2038	-	-	77,692	6,606	84,298
	<u>\$ 200,000</u>	<u>\$ 22,956</u>	<u>\$ 426,215</u>	<u>\$ 219,645</u>	<u>\$ 868,816</u>

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements (Continued)

(9) Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance 07/01/13	Additions	Deletions	Balance 06/30/14
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 333,388	\$ -	\$ -	\$ 333,388
Construction in progress	456,116	209,265	(655,938)	9,443
Capital assets being depreciated:				
Buildings	1,511,507	655,938	-	2,167,445
Infrastructure	1,295,478	-	-	1,295,478
Equipment, furniture and fixtures	1,040,816	33,569	-	1,074,385
Improvements other than buildings	546,295	2,783	-	549,078
Total capital assets	<u>5,183,600</u>	<u>901,555</u>	<u>(655,938)</u>	<u>5,429,217</u>
Less accumulated depreciation:				
Buildings	325,072	42,237	-	367,309
Infrastructure	545,234	35,096	-	580,330
Equipment, furniture and fixtures	742,151	81,381	-	823,532
Improvements other than buildings	248,784	20,536	-	269,320
Total accumulated depreciation	<u>1,861,241</u>	<u>179,250</u>	<u>-</u>	<u>2,040,491</u>
Governmental activities, capital assets, net	<u>\$ 3,322,359</u>	<u>\$ 722,305</u>	<u>\$ (655,938)</u>	<u>\$ 3,388,726</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 85,463	\$ -	\$ -	\$ 85,463
Construction in progress	-	6,603	-	6,603
Capital assets being depreciated:				
Equipment and vehicles	485,531	5,098	-	490,629
Electric system	503,508	6,300	-	509,808
Water system	3,934,475	3,995	-	3,938,470
Sewer system	4,787,472	26,997	-	4,814,469
Total capital assets	<u>9,796,449</u>	<u>48,993</u>	<u>-</u>	<u>9,845,442</u>
Less accumulated depreciation:				
Equipment and vehicles	407,184	18,818	-	426,002
Electric system	218,226	11,012	-	229,238
Water system	1,439,214	89,964	-	1,529,178
Sewer system	1,988,821	97,418	-	2,086,239
Total accumulated depreciation	<u>4,053,445</u>	<u>217,212</u>	<u>-</u>	<u>4,270,657</u>
Business-type activities, capital assets, net	<u>\$ 5,743,004</u>	<u>\$ (168,219)</u>	<u>\$ -</u>	<u>\$ 5,574,785</u>

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements (Continued)

Depreciation expense was charged to governmental activities as follows:

General government	\$ 15,458
Public safety	79,069
Public works	70,400
Culture and recreation	<u>14,323</u>
Total depreciation expense	<u>\$ 179,250</u>

Depreciation expense was charged to business-type activities as follows:

Electric	\$ 11,718
Water	95,684
Sewer	<u>109,810</u>
Total depreciation expense	<u>\$ 217,212</u>

(10) Flow of Funds; Restrictions on Use -

Sewer Revenues

Under the terms of the bond and pledge agreements with the United States Department of Agriculture, all revenues derived from the operation of the sewer utilities system are to be deposited into an account designated as the Sewer Revenue Fund and said account is to be maintained and administered in the following order of priority and for the following express purposes:

- (a) The payment of all reasonable and necessary expenses of operating and maintaining the utilities system.
- (b) Each month there shall be set aside into the Sewer Revenue Bond Sinking Fund on or before the 20<sup>th</sup> day of each month an amount equal to the principal, interest, and administrative fee accruing with respect to the bonds for such calendar month together with such additional proportionate sum as may be required to pay such principal, interest, and administrative fee as they become due.
- (c) Each month, there shall be set aside into the Revenue Bonds Debt Service Reserve Fund on or before the 20<sup>th</sup> day of each month a sum at least equal to 5% of the amount required to be paid into the Sewer Revenue Bond Sinking Fund until such time as the amount in this fund equals \$23,426.
- (d) Funds shall be set aside into the Sewer System Depreciation and Contingency Fund to provide for extensions, additions, improvements, renewals, and replacements necessary to properly operate the utilities system. Transfers shall be made on or before the 20<sup>th</sup> day each month in the amount of \$175.

All required transfers were made for the year ended June 30, 2014.

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements (Continued)

Water Revenues

Under the terms of the bond and pledge agreements with the United States Department of Agriculture, all revenues derived from the operation of the utilities system are to be deposited into an account designated as the Water Revenue Fund and said account is to be maintained and administered in the following order of priority and for the following express purposes:

- (a) The payment of all reasonable and necessary expenses of operating and maintaining the utilities system.
- (b) Each month, there shall be set aside into the Water Revenue Bonds Sinking Fund on or before the 20<sup>th</sup> day of each month a sum at least equal to 1/12 of the principal and 1/6 of the interest due on the next payment date.
- (c) Funds shall be set aside into the Water System Depreciation and Contingency Fund to provide for extensions, additions, improvements, renewals, and replacements necessary to properly operate the utilities system. Transfers in the amount of \$300 shall be made on or before the 20<sup>th</sup> day of each month until such time as the amount in this fund equals \$18,000.

All required transfers were made for the year ended June 30, 2014.

Certificates of Indebtedness

For the payment of the principal and interest on the Certificates, under the terms of the indenture, the Town shall create and maintain the Sinking Fund. The Town shall deposit into this fund on or before the 20<sup>th</sup> day of each month, a sum equal to the principal and interest accruing on the Certificates for such calendar month, together with such additional proportionate sum as may be required to pay said principal and interest as the same fall due. All required transfers were made for the year ended June 30, 2014.

(11) Commitments and Contingencies

Litigation

At June 30, 2014, management and legal counsel for the Town believe that the potential claims against the Town would not materially affect the Town's financial position.

(12) Risk Management

The Town is exposed to risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Town purchases commercial insurance to cover any claims related to these risks. There have been no significant reductions in the insurance coverage during the year.

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements (Continued)

(13) On-behalf Payments

The Town has recognized \$42,767 as a revenue and an expenditure for on-behalf salary payments made by the State of Louisiana.

(14) Interfund Transfers

Interfund transfers for the year ended June 30, 2014 consist of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 708,600	\$ 74,526
Utility	-	708,600
Other Governmental Funds	<u>74,526</u>	<u>-</u>
Total	<u>\$ 783,126</u>	<u>\$ 783,126</u>

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

(15) Interfund Balances

Interfund balances at June 30, 2014 consist of the following:

	<u>Due from</u>	<u>Due to</u>
General	\$ 54,756	\$ 397
Sales Tax	115	1,494
Utility	1,015	50,515
Sewerage Utility	105	-
Other Governmental Funds	-	3,877
Agency	<u>292</u>	<u>-</u>
Total	<u>\$ 56,283</u>	<u>\$ 56,283</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements (Continued)

(16) Retirement Plan

Effective January 9, 2012, the Town entered into a SIMPLE IRA Adoption Agreement with American Funds Distributors Inc., setting up an Individual Retirement Account (IRA) plan for its employees. All employees are eligible to participate in the Plan. Employees make elective deferrals to the Plan at whatever amount they choose up to a maximum of \$11,500 per year. The Town makes matching contributions of each employee's elective deferral up to a limit of 3% of the employee's compensation. All contributions are made directly to an IRA set up for each employee. Contributions made by the Town for the year ended June 30, 2014 was \$16,568.

(17) Compensation of Town Officials

A detail of compensation paid to elected officials for the year ended June 30, 2014, follows:

Mayor:

George Dupuis	115 West Edwards St., Erath, LA 70533	\$ 1,846
Joseph William Cormier	115 West Edwards St., Erath, LA 70533	5,603
John LeBlanc	115 West Edwards St., Erath, LA 70533	<u>2,011</u>
		<u>\$ 9,460</u>

Aldermen:

Robert Domingues	115 West Edwards St., Erath, LA 70533	\$ 4,895
John LeBlanc	115 West Edwards St., Erath, LA 70533	4,018
Joseph William Cormier	115 West Edwards St., Erath, LA 70533	2,070
Donald Menard	115 West Edwards St., Erath, LA 70533	5,088
Anthony Richard	115 West Edwards St., Erath, LA 70533	5,088
Ricky Luquette	115 West Edwards St., Erath, LA 70533	2,400
Chris Hebert	115 West Edwards St., Erath, LA 70533	<u>1,070</u>
		<u>\$ 24,629</u>

**REQUIRED  
SUPPLEMENTARY INFORMATION**



TOWN OF ERATH, LOUISIANA  
General Fund

Budgetary Comparison Schedule  
Year Ended June 30, 2014

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 55,000	\$ 61,700	\$ 62,453	\$ 753
Licenses and permits	90,300	88,000	94,411	6,411
Intergovernmental	5,000	52,305	52,933	628
Charges for services	31,000	31,000	30,763	(237)
Fines and forfeitures	62,000	63,500	65,355	1,855
Miscellaneous	60,000	63,314	68,181	4,867
Total revenues	<u>303,300</u>	<u>359,819</u>	<u>374,096</u>	<u>14,277</u>
Expenditures:				
Current -				
General government	258,335	263,185	256,215	6,970
Public safety	579,790	613,857	602,961	10,896
Health and welfare	1,892	1,892	1,892	-
Culture and recreation	51,030	50,380	48,083	2,297
Debt service -				
Principal	-	20,000	20,000	-
Interest	4,725	4,725	4,720	5
Capital outlay	5,781	215,229	215,200	29
Total expenditures	<u>901,553</u>	<u>1,169,268</u>	<u>1,149,071</u>	<u>20,197</u>
Deficiency of revenues over expenditures	<u>(598,253)</u>	<u>(809,449)</u>	<u>(774,975)</u>	<u>34,474</u>
Other financing sources (uses):				
Transfers in	700,000	750,000	708,600	(41,400)
Transfers out	<u>(82,520)</u>	<u>(84,620)</u>	<u>(74,526)</u>	<u>10,094</u>
Total other financing sources (uses)	<u>617,480</u>	<u>665,380</u>	<u>634,074</u>	<u>(31,306)</u>
Net change in fund balance	19,227	(144,069)	(140,901)	3,168
Fund balance, beginning	<u>78,355</u>	<u>229,761</u>	<u>229,761</u>	<u>-</u>
Fund balance, ending	<u>\$ 97,582</u>	<u>\$ 85,692</u>	<u>\$ 88,860</u>	<u>\$ 3,168</u>

TOWN OF ERATH, LOUISIANA  
Sales Tax Fund

Budgetary Comparison Schedule  
Year Ended June 30, 2014

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes -				
Sales tax collected	\$ 280,000	\$ 258,000	\$ 267,702	\$ 9,702
Intergovernmental -				
State grant	418,329	-	11,370	11,370
Local grant	-	5,000	-	(5,000)
Interest	150	150	189	39
Miscellaneous	13,680	14,180	19,335	5,155
Total revenues	<u>712,159</u>	<u>277,330</u>	<u>298,596</u>	<u>21,266</u>
Expenditures:				
Current -				
Public works:				
Salaries	173,811	173,811	164,461	9,350
Payroll taxes	13,297	13,297	12,368	929
Retirement	5,214	3,214	2,902	312
Group insurance	41,000	38,000	35,726	2,274
Worker's compensation	25,000	23,000	20,895	2,105
Uniforms	1,500	1,500	248	1,252
Material and supplies	30,000	30,000	28,874	1,126
Truck and tractor expenses	12,000	10,500	10,139	361
Insurance	4,500	6,500	6,396	104
Telephone	6,000	6,000	5,138	862
Professional services	6,600	5,600	5,814	(214)
Office supplies	750	750	569	181
Repairs and maintenance	10,750	22,750	21,933	817
Fuel and oil	15,000	10,000	9,372	628
Utilities	3,700	3,700	3,900	(200)
Other	4,480	3,980	3,565	415
Capital outlay	<u>429,829</u>	<u>76,200</u>	<u>15,616</u>	<u>60,584</u>
Total expenditures	<u>783,431</u>	<u>428,802</u>	<u>347,916</u>	<u>80,886</u>
Excess (deficiency) of revenues over expenditures	(71,272)	(151,472)	(49,320)	102,152
Other financing sources:				
Transfers in	<u>-</u>	<u>85,000</u>	<u>-</u>	<u>(85,000)</u>
Net change in fund balance	(71,272)	(66,472)	(49,320)	17,152
Fund balance, beginning	<u>135,813</u>	<u>128,883</u>	<u>128,883</u>	<u>-</u>
Fund balance, ending	<u>\$ 64,541</u>	<u>\$ 62,411</u>	<u>\$ 79,563</u>	<u>\$ 17,152</u>

TOWN OF ERATH, LOUISIANA

Note to Budgetary Comparison Schedules

Note (1) Budgets and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Town Clerk and Mayor prepare a proposed operating budget for the fiscal year and submit it to the Board of Aldermen not later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Any budgetary amendments require the approval of the Board of Aldermen.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

All budgeted amounts presented reflect the original budget and the final budget (which has been adjusted for legally authorized revisions during the year).

## **OTHER SUPPLEMENTARY INFORMATION**

**NONMAJOR GOVERNMENTAL FUNDS**

## **NONMAJOR GOVERNMENTAL FUNDS**

To account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

### **Special Parish Tax Fund**

To account for monies received from the Vermilion Parish Police Jury to defray costs of the fire department.

### **Youth Recreation Fund**

To account for the collection and disbursement of the Town's share of proceeds from the youth recreation hotel/motel sales tax.

### **LCDBG**

To account for the collection and disbursements of federal funds used for various improvement projects.

TOWN OF ERATH, LOUISIANA  
Nonmajor Governmental Funds

Combining Balance Sheet  
June 30, 2014

	Special Parish Tax Fund	Youth Recreation Fund	LCDBG	Total
	<u>Fund</u>	<u>Fund</u>	<u>LCDBG</u>	<u>Total</u>
<b>ASSETS</b>				
Cash	<u>\$ 7,618</u>	<u>\$ 4,439</u>	<u>\$ 3</u>	<u>\$12,060</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 2,613	\$ -	\$ -	\$ 2,613
Accrued expenses	1,131	-	-	1,131
Due to other funds	<u>3,874</u>	<u>-</u>	<u>3</u>	<u>3,877</u>
Total liabilities	<u>\$ 7,618</u>	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ 7,621</u>
Fund balances:				
Restricted	<u>-</u>	<u>4,439</u>	<u>-</u>	<u>4,439</u>
Total liabilities and fund balances	<u>\$ 7,618</u>	<u>\$ 4,439</u>	<u>\$ 3</u>	<u>\$12,060</u>

TOWN OF ERATH, LOUISIANA  
Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Year Ended June 30, 2014

	Special Parish Tax Fund	Youth Recreation Fund	LCDBG	Total
Revenues:				
Intergovernmental	\$ 28,570	\$ -	\$ 21,100	\$ 49,670
Miscellaneous	<u>13,157</u>	<u>-</u>	<u>-</u>	<u>13,157</u>
Total revenues	<u>41,727</u>	<u>-</u>	<u>21,100</u>	<u>62,827</u>
Expenditures:				
Current-				
Public safety	103,466	-	-	103,466
Capital outlay	<u>12,787</u>	<u>-</u>	<u>21,100</u>	<u>33,887</u>
Total expenditures	<u>116,253</u>	<u>-</u>	<u>21,100</u>	<u>137,353</u>
Deficiency of revenues over expenditures	(74,526)	-	-	(74,526)
Other financing sources:				
Transfers in	<u>74,526</u>	<u>-</u>	<u>-</u>	<u>74,526</u>
Net change in fund balances	-	-	-	-
Fund balances, beginning	<u>-</u>	<u>4,439</u>	<u>-</u>	<u>4,439</u>
Fund balances, ending	<u>\$ -</u>	<u>\$ 4,439</u>	<u>\$ -</u>	<u>\$ 4,439</u>



TOWN OF ERATH, LOUISIANA

Schedule of Insurance in Force

Year Ended June 30, 2014

Insurer	Assets Covered	Limits of Coverage (in Dollars)	Expiration Date
Dorsey Insurance	Commercial property	Varies by property	5/6/2015
LA Citizens Property Insurance Corporation	Commercial property	Varies by property	5/6/2015
Rod Prejean & Associates, Inc.	Automobiles	Varies by vehicle	12/29/2014
Dorsey Insurance	Public Officials		
	Mayor	28,500	11/15/2014
	Town Clerk	28,500	11/15/2014
	Tax Collector	28,500	11/15/2014
	Bill Collector	28,500	11/15/2014
	Mayor Pro-tem	28,500	11/15/2014
	Council & other employees	5,000	11/15/2014
Erath Insurance	Accidental Death: Auxiliary Police	15,000	5/10/2015
LA Municipal Risk Management	Comprehensive general liability	500,000	12/29/2014
	Law enforcement officer	500,000	12/29/2014
	Errors & omissions	500,000	12/29/2014
	Automobile liability	500,000	12/29/2014
Special Risk Insurance, Inc.	Portable equipment - Fire Department	Replacement Cost	3/28/2015
	General liability - Fire Department	2,000,000	3/28/2015
	Management liability - Fire Department	2,000,000	3/28/2015
Bankers Specialty Insurance	Flood - Police station		
	Building	500,000	5/7/2015
	Contents	50,000	5/7/2015

TOWN OF ERATH, LOUISIANA  
Enterprise Funds  
Utility Fund and Sewerage Utility Fund

Schedule of Number of Utility Customers and Rates  
June 30, 2014 and 2013

The following number of customers were being serviced during the month of June:

<u>Department</u>	<u>2014</u>	<u>2013</u>
Electric (metered)	981	973
Water	1009	1007
Sewerage	963	956

The monthly water rates of the Town are as follows:

Residential:

\$11.00 for the first 2,000 gallons and \$4.50 per 1,000 gallons thereafter

Commercial

\$15.00 for the first 2,000 gallons and \$4.70 per 1,000 gallons thereafter

The monthly sewer rates are based on water consumption as follows:

Residential:

\$13.00 for the first 2,000 gallons and \$3.00 per 1,000 gallons thereafter

Commercial

\$16.00 for the first 2,000 gallons and \$3.00 per 1,000 gallons thereafter

TOWN OF ERATH, LOUISIANA

Statements of Net Position  
Proprietary Funds  
June 30, 2014 and 2013

	2014	2013
<b>ASSETS</b>		
Current assets:		
Cash	\$ 876,549	\$ 593,368
Interest-bearing deposits	1,010,787	999,668
Accrued interest receivable	1,633	1,752
Accounts receivable, net	326,731	400,625
Unbilled service receivable, net	84,840	90,016
Due from other governmental agencies	-	16,700
Other receivables	180	-
Interfund receivables	1,120	933
Total current assets	<u>2,301,840</u>	<u>2,103,062</u>
Restricted assets:		
Cash	125,209	115,249
Interest-bearing deposits	59,175	58,528
Accrued interest receivable	155	154
Total restricted assets	<u>184,539</u>	<u>173,931</u>
Capital assets, net of accumulated depreciation	<u>5,574,785</u>	<u>5,743,004</u>
Total assets	<u>8,061,164</u>	<u>8,019,997</u>
<b>LIABILITIES</b>		
Current liabilities (payable from current assets):		
Accounts payable and accrued expenses	145,732	145,421
Due to other governmental agencies	5,609	5,609
Interfund payables	50,515	50,297
Other payables	42	42
Total	<u>201,898</u>	<u>201,369</u>
Current liabilities (payable from restricted assets):		
Customers' deposits	82,945	76,947
Current portion of long term debt	35,286	32,922
Accrued interest on bonds	2,292	2,958
Total	<u>120,523</u>	<u>112,827</u>
Total current liabilities	<u>322,421</u>	<u>314,196</u>
Noncurrent liabilities:		
Long term debt	<u>390,929</u>	<u>426,215</u>
Total liabilities	<u>713,350</u>	<u>740,411</u>
<b>NET POSITION</b>		
Net investment in capital assets	5,183,856	5,316,789
Restricted for debt service	64,016	61,104
Unrestricted	<u>2,099,942</u>	<u>1,901,693</u>
Total net position	<u>\$7,347,814</u>	<u>\$7,279,586</u>

TOWN OF ERATH, LOUISIANA

Statements of Revenues, Expenses, and Changes in Fund Net Position  
 Proprietary Funds  
 Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating revenues:		
Charges for services	\$ 2,799,424	\$ 2,564,222
Miscellaneous	<u>39,587</u>	<u>42,594</u>
Total operating revenues	<u>2,839,011</u>	<u>2,606,816</u>
Operating expenses:		
Salaries	182,832	174,374
Payroll taxes	13,901	13,166
Retirement	4,969	5,066
Group insurance	31,974	30,943
Worker's compensation insurance	5,823	4,761
Purchase of electric power	1,205,778	1,149,694
Materials and supplies	69,838	89,305
Maintenance and repairs	68,966	81,027
Fuel, gas and oil	9,904	10,667
Telephone and utilities	119,715	106,929
Insurance	33,645	31,067
Depreciation	217,212	213,394
Contractual services	15,600	15,600
Professional fees	11,774	18,689
Bad debts	45,480	4,953
Other	<u>18,612</u>	<u>20,618</u>
Total operating expenses	<u>2,056,023</u>	<u>1,970,253</u>
Operating income	<u>782,988</u>	<u>636,563</u>
Nonoperating revenues/(expenses):		
Grant revenue	-	50,315
Interest income	13,733	18,741
Interest expense	(20,088)	(21,768)
Gain (loss) on disposal of assets	<u>195</u>	<u>101</u>
Total nonoperating revenues/(expenses)	<u>(6,160)</u>	<u>47,389</u>
Income before transfers	776,828	683,952
Transfers out	<u>(708,600)</u>	<u>(696,249)</u>
Change in net position	68,228	(12,297)
Net position, beginning	<u>7,279,586</u>	<u>7,291,883</u>
Net position, ending	<u>\$ 7,347,814</u>	<u>\$ 7,279,586</u>

TOWN OF ERATH, LOUISIANA

Budgetary Comparison Schedule - Detail of Revenues

General Fund

For the Year Ended June 30, 2014

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes -				
General ad valorem	\$ 21,000	\$ 20,500	\$ 20,516	\$ 16
Gas franchise	10,000	10,000	9,865	(135)
Cable franchise	11,000	11,000	11,567	567
Slemco franchise	3,000	3,000	3,316	316
Entergy franchise	8,000	9,500	9,483	(17)
Housing Authority payment	2,000	7,700	7,706	6
	<u>55,000</u>	<u>61,700</u>	<u>62,453</u>	<u>753</u>
Licenses and permits -				
Occupational licenses	23,000	24,200	24,753	553
Insurance licenses	64,000	60,500	66,450	5,950
Building permits	3,000	3,000	2,958	(42)
Liquor permits	300	300	250	(50)
	<u>90,300</u>	<u>88,000</u>	<u>94,411</u>	<u>6,411</u>
Intergovernmental -				
Federal grants	-	4,538	4,614	76
On-behalf payments	-	42,767	42,767	-
State shared revenue:				
Beer taxes	5,000	5,000	5,552	552
	<u>5,000</u>	<u>52,305</u>	<u>52,933</u>	<u>628</u>
Charges for services -				
Police accident reports	1,000	1,000	807	(193)
Court costs	30,000	30,000	29,956	(44)
	<u>31,000</u>	<u>31,000</u>	<u>30,763</u>	<u>(237)</u>
Fines and forfeits	<u>62,000</u>	<u>63,500</u>	<u>65,355</u>	<u>1,855</u>
Miscellaneous -				
Rent income (post office)	30,000	30,000	30,000	-
Other	30,000	33,314	38,181	4,867
	<u>60,000</u>	<u>63,314</u>	<u>68,181</u>	<u>4,867</u>
Total revenues	<u>\$ 303,300</u>	<u>\$ 359,819</u>	<u>\$ 374,096</u>	<u>\$ 14,277</u>

TOWN OF ERATH, LOUISIANA

Budgetary Comparison Schedule - Detail of Expenditures

General Fund

For the Year Ended June 30, 2014

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Current -				
General government:				
Mayor's salary	\$ 9,900	\$ 9,900	\$ 9,460	\$ 440
Council salaries	25,500	25,500	24,629	871
Clerk of Court salary	20,714	25,914	25,213	701
Other salaries	85,618	81,618	77,311	4,307
Payroll taxes	8,134	10,634	10,417	217
Retirement	1,219	1,219	1,218	1
Group insurance	13,300	13,300	13,396	(96)
Workmen's compensation insurance	800	800	568	232
Conventions and schools	500	500	-	500
Uniforms	750	750	721	29
Printing, stationery and supplies	7,000	7,000	5,619	1,381
Building repairs and maintenance	5,000	5,500	6,249	(749)
Material and supplies	2,500	2,000	2,217	(217)
General insurance	16,000	14,400	14,109	291
Auditing and accounting	6,150	5,300	5,251	49
Dues and subscriptions	2,000	2,000	1,422	578
Telephone	2,500	2,500	2,889	(389)
Professional fees	5,000	7,000	6,587	413
Contract services	2,000	500	-	500
Publication of minutes	4,000	3,000	1,925	1,075
Tax roll preparation	1,100	1,100	1,032	68
Legal fees	5,000	6,200	5,897	303
Utilities	6,000	7,000	6,766	234
Postage	600	600	716	(116)
Building permits and inspections	2,500	2,500	2,875	(375)
Landscaping	2,000	1,500	2,012	(512)
Emergency generator fuel and repairs	600	600	325	275

(continued)

TOWN OF ERATH, LOUISIANA

Budgetary Comparison Schedule - Detail of Expenditures  
General Fund (Continued)  
For the Year Ended June 30, 2014

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Court material and supplies	600	600	907	(307)
Court dues and subscriptions	100	100	258	(158)
Court printing supplies	2,000	1,200	514	686
Court utilities	3,000	2,000	1,343	657
Court communications	2,800	2,800	2,925	(125)
Court postage	500	500	391	109
Court building repairs and maintenance	500	2,500	2,641	(141)
Court insurance	2,000	200	146	54
Court professional fees	4,500	8,000	8,517	(517)
Magistrate salary	2,400	2,400	2,400	-
Prosecutor salary	2,400	2,400	2,400	-
Other	1,150	1,650	4,949	(3,299)
	<u>258,335</u>	<u>263,185</u>	<u>256,215</u>	<u>6,970</u>
Public safety:				
Chief of Police's salary	36,774	36,774	36,918	(144)
Other salaries	296,242	335,009	330,311	4,698
Payroll taxes	28,406	28,406	27,750	656
Retirement	8,543	7,343	6,697	646
Group insurance	78,000	63,500	63,312	188
Workmen's compensation insurance	13,500	15,100	13,735	1,365
Court appearance	2,000	1,500	1,000	500
Uniforms	3,000	3,000	2,514	486
Conventions and schools	1,500	750	-	750
Dues and subscriptions	500	1,000	922	78
Material and supplies	6,000	6,000	4,977	1,023
Auto fuel and oil	36,000	34,000	35,285	(1,285)
Insurance	24,000	38,000	38,127	(127)
Telephone	5,000	5,000	5,037	(37)
Professional fees	2,500	1,000	300	700
Contract services	3,000	4,500	4,440	60
Office	1,500	2,800	2,554	246
Repairs and maintenance -				
Auto	15,000	12,200	11,019	1,181
Building	250	250	181	69
Radio, radar and camera	4,000	4,000	4,229	(229)
Emergency generator fuel	600	300	325	(25)
Utilities	7,500	7,500	7,302	198
Other	1,175	1,125	1,226	(101)
Salaries - fire department	4,800	4,800	4,800	-
	<u>579,790</u>	<u>613,857</u>	<u>602,961</u>	<u>10,896</u>
				(continued)

TOWN OF ERATH, LOUISIANA

Budgetary Comparison Schedule - Detail of Expenditures  
General Fund (Continued)  
For the Year Ended June 30, 2014

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Health and welfare:				
Meals on wheels	<u>1,892</u>	<u>1,892</u>	<u>1,892</u>	<u>-</u>
Culture and recreation:				
Salaries	27,413	26,913	26,627	286
Payroll taxes	2,097	2,097	2,000	97
Retirement	274	274	265	9
Group insurance	6,650	6,650	6,395	255
Workmen's compensation insurance	1,100	1,100	1,111	(11)
Uniforms	200	200	-	200
Materials and supplies	2,000	2,500	2,201	299
Insurance	500	500	542	(42)
Contract services	1,000	1,500	1,650	(150)
Maintenance and upkeep	400	100	238	(138)
Repairs and maintenance -				
Building	1,000	1,500	1,357	143
Equipment	2,000	1,000	85	915
Equipment fuel and oil	1,500	1,500	1,128	372
Utilities	3,000	3,000	2,790	210
Other	<u>1,896</u>	<u>1,546</u>	<u>1,694</u>	<u>(148)</u>
	<u>51,030</u>	<u>50,380</u>	<u>48,083</u>	<u>2,297</u>
Debt service:				
Principal	-	20,000	20,000	-
Interest	<u>4,725</u>	<u>4,725</u>	<u>4,720</u>	<u>5</u>
	<u>4,725</u>	<u>24,725</u>	<u>24,720</u>	<u>5</u>
Capital outlay	<u>5,781</u>	<u>215,229</u>	<u>215,200</u>	<u>29</u>
Total expenditures	<u>\$ 901,553</u>	<u>\$ 1,169,268</u>	<u>\$ 1,149,071</u>	<u>\$ 20,197</u>



TOWN OF ERATH, LOUISIANA

Budgetary Comparison Schedule  
Special Parish Tax Fund  
For the Year Ended June 30, 2014

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental -				
Appropriation from Vermilion				
Parish Police Jury:				
Special Parish Tax	\$ 28,570	\$ 28,570	\$ 28,570	\$ -
Miscellaneous	<u>500</u>	<u>8,250</u>	<u>13,157</u>	<u>4,907</u>
Total revenues	<u>29,070</u>	<u>36,820</u>	<u>41,727</u>	<u>4,907</u>
Expenditures:				
Current -				
Public safety:				
Salaries	25,296	25,796	25,956	(160)
Payroll taxes	1,935	1,935	1,929	6
Group insurance	6,650	6,450	6,395	55
Retirement	759	559	517	42
Worker's compensation	1,200	1,600	1,462	138
Training	3,000	3,000	2,512	488
Fire prevention and education	2,000	2,000	1,772	228
Office supplies	1,000	1,000	1,487	(487)
Material and supplies	3,000	4,000	3,958	42
Truck expense	13,500	14,400	12,475	1,925
Insurance	27,000	24,400	24,191	209
Telephone	2,500	2,500	2,821	(321)
Professional services	600	750	730	20
Uniforms	350	350	349	1
Repairs and maintenance	9,500	10,000	6,979	3,021
Utilities	7,500	8,500	8,130	370
Other	800	1,300	1,803	(503)
Capital outlay	<u>5,000</u>	<u>12,900</u>	<u>12,787</u>	<u>113</u>
Total expenditures	<u>111,590</u>	<u>121,440</u>	<u>116,253</u>	<u>5,187</u>
Deficiency of revenues over expenditures	(82,520)	(84,620)	(74,526)	10,094
Other financing sources:				
Transfers in	<u>82,520</u>	<u>84,620</u>	<u>74,526</u>	<u>(10,094)</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**INTERNAL CONTROL, COMPLIANCE  
AND  
OTHER MATTERS**

# KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable John Earl Leblanc, Mayor  
and members of the Board of Aldermen  
Town of Erath, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Erath, Louisiana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Erath's basic financial statements and have issued our report thereon dated December 1, 2014.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Erath's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Erath's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Erath's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as item 2014-001 that we consider to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Erath's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as item 2014-002.

### **Town of Erath's Response to Findings**

The Town's response to the findings identified in our audit is described in the accompanying schedule of current and prior year audit findings and management's corrective action plan. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

***Kolder, Champagne, Slaven & Company, LLC***  
Certified Public Accountants

Abbeville, Louisiana  
December 1, 2014

TOWN OF ERATH  
Erath, Louisiana

Schedule of Current and Prior Year Audit Findings  
and Management's Corrective Action Plan  
Year Ended June 30, 2014

Part I. Current Year Findings and Management's Corrective Action Plan:

A. Internal Control Over Financial Reporting

2014-001      Inadequate Segregation of Accounting Functions

Fiscal year finding initially occurred: Unknown

CONDITION: The Town of Erath did not have adequate segregation of duties within the accounting function.

CRITERIA: AU§315.04, *Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement*, defines internal control as follows:

“Internal control is a process, affected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.”

Additionally, Statements on Standards for Attestation Engagements (SSAE) AT§501.07 states:

“An entity's internal control over financial reporting includes those policies and procedures that pertain to an entity's ability to record, process, summarize, and report financial data consistent with the assertions embodied in either annual financial statements or interim financial statements, or both.”

CAUSE: The cause of the condition is the fact that the Town does not have a sufficient number of staff performing administrative and financial duties so as to provide adequate segregation of accounting and financial duties.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Management should evaluate the cost vs. benefit of complete segregation and whenever possible, reassign incompatible duties among different employees to ensure that a single employee does not have control of more than one of the following responsibilities: (1) authorization; (2) custody; (3) recordkeeping; and (4) reconciliation.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Town's CPA oversees all financial aspects of the entity. We believe this is an adequate compensating control over our inability to adequately segregate duties in our administrative office.

TOWN OF ERATH  
Erath, Louisiana

Schedule of Current and Prior Year Audit Findings  
and Management's Corrective Action Plan (continued)  
Year Ended June 30, 2014

B. Compliance

2014-002      Public Assistance Grants

Fiscal year finding initially occurred: 2006

CONDITION: The Town of Erath may have improperly reported amounts on various project worksheets.

CRITERIA: 44 CFR section 206 requires that an accounting of eligible costs and a close out of the contract be performed and certified by the grantee to support expenses that were reimbursed for public assistance.

CAUSE: Project worksheets may have been completed incorrectly.

EFFECT: The Town may have requested reimbursement above the allowed amounts.

RECOMMENDATION: We recommend that the Town work with the grantor to close-out the project and determine the amount of the overpayment, if any that is due back to the grantor.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The grantor is in the process of closing out all project worksheets.

Part II: Prior Year Findings:

A. Internal Control Over Financial Reporting

2013-001      Inadequate Segregation of duties

CONDITION The Town of Erath does not have adequate internal controls over recording the entity's financial transactions or preparing its financial statements, including the related notes in accordance with generally accepted accounting principles (GAAP).

RECOMMENDATION: Management should evaluate the cost vs. benefit of complete segregation and whenever possible, reassign incompatible duties among different employees to ensure that a single employee does not have control of more than one of the following responsibilities: (1) authorization; (2) custody; (3) recordkeeping; and (4) reconciliation.

CURRENT STATUS: Unresolved. See item 2014-001.

TOWN OF ERATH  
Erath, Louisiana

Schedule of Current and Prior Year Audit Findings  
and Management's Corrective Action Plan (continued)  
Year Ended June 30, 2014

B. Compliance

2013-002      Public Assistance Grants

CONDITION: The Town of Erath may have improperly reported amounts on various project worksheets.

RECOMMENDATION: We recommend that the Town work with the grantor to close-out the project and determine the amount of the overpayment, if any that is due back to the grantor.

CURRENT STATUS: Unresolved. See item 2014-002.

2013-003      Donated Property

CONDITION: The Town of Erath may have violated State law in relation to the disposition of Town property.

RECOMMENDATION: We recommend that the Town take steps to ensure that all property disposals are made in accordance with State law.

CURRENT STATUS: Resolved.

2013-004      Debt Covenants

CONDITION: The Town of Erath did not comply with the sinking fund provisions of various debt covenants.

RECOMMENDATION: We recommend that the Town implement procedures to ensure that the all debt covenant deposit requirements are met.

CURRENT STATUS: Resolved.